



General Assembly

***Substitute Bill No. 614***

*February Session, 2000*

***An Act Concerning Certain Empowerment Zones.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) Any municipality in the state which meets the  
2       requirements for the issuance of enterprise zone facility bonds  
3       complying with the provisions of Section 1391 to 1397C of the Internal  
4       Revenue Code of 1986, as amended, through its designation as an  
5       urban empowerment zone by the Secretary of Housing and Urban  
6       Development pursuant to the Code, may issue such bonds, provided  
7       such bonds comply with the requirements imposed by the Code, U.S.  
8       Treasury Regulations and other federal law related to the issuance of  
9       tax-exempt bond financing to provide funding for an enterprise zone  
10      business with qualified zone property as defined in such law.

11      Sec. 2. (NEW) For the purpose of carrying out a financing  
12      authorized under sections 1 to 6, inclusive, of this act a municipality  
13      may issue bonds which are payable solely from and secured by a  
14      pledge of and lien upon any or all of the income, proceeds, revenues  
15      and property provided as security for the repayment of loans by  
16      borrowers financing enterprise zone facilities or by lenders relending  
17      bond proceeds in a "loans to lenders" program or any combination  
18      thereof as provided in the Internal Revenue Code. Bonds issued  
19      pursuant to sections 1 to 6, inclusive, of this act shall be special  
20      obligations of the municipality and shall not be payable from or  
21      charged upon any funds other than the revenues pledged to the

22 payment thereof, nor shall the municipality issuing the same be subject  
23 to any liability thereon except to the extent of such pledged revenues.  
24 No holder or holders of any bonds shall have the right to compel any  
25 exercise of the taxing power of the municipality to pay any bonds or  
26 the interest thereon, or to enforce payment thereon against any  
27 property of the municipality and the bonds shall not constitute a  
28 charge, lien or encumbrance, legal or equitable, upon any property of  
29 the municipality. The substance of such limitation shall be plainly  
30 stated on the face of each bond. Bonds issued pursuant to sections 1 to  
31 6, inclusive, of this act shall not be subject to any statutory limitation  
32 on the indebtedness of the municipality and such bonds when issued  
33 shall not be included in computing the aggregate indebtedness of the  
34 municipality in respect to and to the extent of any such limitation.

35       Sec. 3. (NEW) (a) Any bonds payable and secured as provided in  
36 sections 1 to 6, inclusive, of this act shall be authorized by a resolution  
37 adopted by the legislative body of the municipality, notwithstanding  
38 the provisions of any statute, local law or charter governing the  
39 authorization and issuance of bonds generally by such municipality.  
40 Such bonds shall: (1) Be issued and sold in such manner, bear interest  
41 at such rate or rates, including variable rates, as determined in the  
42 proceedings authorizing the issuance of the bonds; (2) provide for the  
43 payment of interest on such dates, whether before or at maturity; (3) be  
44 issued at, above or below par; (4) mature at such time or times not  
45 exceeding thirty years from their date; (5) have such rank or priority,  
46 be payable in such medium of payment, be issued in such form,  
47 including, without limitation, registered or book-entry form, carry  
48 such registration and transfer privileges and be made subject to  
49 purchase or redemption before maturity at such price or prices and  
50 under such terms and conditions, including the condition that such  
51 bonds be subject to purchase or redemption on the demand of the  
52 owner thereof, and contain such other terms and particulars as the  
53 legislative body of the municipality or the board, officers or agency  
54 delegated such authority by the legislative body of the municipality  
55 shall determine.

56 (b) The proceedings under which bonds are authorized to be issued  
57 may, subject to the provisions of the general statutes, contain any or all  
58 of the following: (1) Provisions respecting custody of the proceeds  
59 from the sale of the bonds, including any requirements that such  
60 proceeds be held separate from or not be commingled with other funds  
61 of the municipality; (2) provisions for the investment and reinvestment  
62 of bond proceeds until such proceeds are used to pay project costs and  
63 for the disposition of any excess bond proceeds or investment earnings  
64 thereon; (3) provisions for the execution of reimbursement agreements,  
65 or similar agreements, in connection with credit facilities, including,  
66 but not limited to, letters of credit or policies of bond insurance,  
67 remarketing agreements, debt service reserve fund surety bonds and  
68 interest rate swap agreements; (4) provisions for the collection,  
69 custody, investment, reinvestment and use of the pledged revenues or  
70 other receipts, funds or moneys pledged for payment of the bonds as  
71 provided in sections 1 to 6, inclusive, of this act; (5) provisions  
72 regarding the establishment and maintenance of reserves, sinking  
73 funds and any other funds and accounts and the regulation and  
74 disposition thereof, including requirements that any such funds and  
75 accounts be held separate from or not be commingled with other funds  
76 of the municipality; (6) covenants for the establishment or maintenance  
77 requirements with respect to facilities and properties; (7) provisions for  
78 the issuance of additional bonds on a parity with bonds issued prior to  
79 the issuance of such additional bonds, including establishment of  
80 coverage requirements, if appropriate, with respect to such bonds; (8)  
81 provisions regarding the rights and remedies available to the bond  
82 owners or any trustee under any contract, loan agreement, document,  
83 instrument or trust indenture in case of a default, including the right to  
84 appoint a trustee to represent their interests upon occurrence of any  
85 event of default, as defined in any such default proceedings, provided  
86 if any bonds are secured by a trust indenture, the respective owners of  
87 such bonds shall have no authority except as set forth in such trust  
88 indenture to appoint a separate trustee to represent them; and (9) other  
89 provisions or covenants of like or different character from the  
90 foregoing which are consistent with sections 1 to 6, inclusive, of this act

91 and which the legislative body of the municipality or the board,  
92 officers or agency delegated such authority by the legislative body of  
93 the municipality shall determine in such proceedings are necessary,  
94 convenient or desirable in order to better secure the bonds, or will tend  
95 to make the bonds more marketable, and which are in the best interests  
96 of such municipality.

97 (c) Any provisions which may be included in proceedings  
98 authorizing the issuance of bonds under sections 1 to 6, inclusive, of  
99 this act may be included in an indenture of trust duly approved in  
100 accordance with sections 1 to 6, inclusive, of this act which secures the  
101 bonds, and in such case the provisions of such indenture shall be  
102 deemed to be a part of such proceedings as though they were  
103 expressly included therein. Any pledge made by a municipality for the  
104 issuance of bonds hereunder shall be valid and binding from the time  
105 when the pledge is made, and any revenues or other receipts, funds or  
106 moneys so pledged and thereafter received by a municipality shall be  
107 subject immediately to the lien of such pledge without any physical  
108 delivery thereof or further act. The lien of any such pledge shall be  
109 valid and binding as against all parties having claims of any kind in  
110 tort, contract or otherwise against the municipality, irrespective of  
111 whether such parties have notice of such lien. Neither the resolution  
112 nor any other instrument by which a pledge is created need be  
113 recorded. The municipality may enter into a trust indenture with a  
114 corporate trustee, which may be any trust company or bank having the  
115 powers of a trust company within or without the state, containing such  
116 provisions for protecting and enforcing the rights and remedies of the  
117 bond owners as may be reasonable and proper and not in violation of  
118 law, including covenants setting forth the duties of the municipality in  
119 relation to the exercise of its powers pursuant to sections 1 to 6,  
120 inclusive, of this act and the custody, safeguarding and application of  
121 all moneys. The municipality may provide by such trust indenture for  
122 the payment of the pledged revenues or other receipts, funds or  
123 moneys to the trustee under such trust indenture or to any other  
124 depository, and for the method of disbursement thereof, with such

125 safeguards and restrictions as it may determine. All expenses incurred  
126 in carrying out such trust indenture may be treated as project costs. As  
127 used in sections 1 to 6, inclusive, of this act, "bonds" means any bonds,  
128 including refunding bonds, notes, bond anticipation notes, interim  
129 certificates, debentures or other obligations of indebtedness.

130       Sec. 4. (NEW) It is hereby determined that the powers conferred in  
131 sections 1 to 6, inclusive, of this act are in all respects for the benefit of  
132 the people of the state and for the improvement of their health, safety,  
133 welfare, comfort and security and that the purposes of sections 1 to 6,  
134 inclusive, of this act are public purposes and that a municipality will  
135 be performing an essential governmental function in the exercise of the  
136 powers conferred upon it by sections 1 to 6, inclusive, of this act.

137       Sec. 5. (NEW) A municipality may issue bonds the interest on which  
138 may be includable under the Internal Revenue Code, as from time to  
139 time amended, in the gross income of the holders of such bonds to the  
140 same extent and in the same manner that interest on bills, bonds, notes  
141 or other obligations of the United States is includable in the gross  
142 income of the holders thereof under said Code, for the purpose of  
143 financing certain costs of issuance or other costs related to providing  
144 tax-exempt bond financing for funding an enterprise zone business  
145 with qualified zone property as set forth in section 1 of this act, based  
146 upon a finding by the board, officers or agency delegated the authority  
147 to issue and sell the bonds that the issuance of such bonds on a taxable  
148 basis is in the best interest of the municipality and in furtherance of the  
149 purposes of sections 1 to 6, inclusive, of this act.

150       Sec. 6. (NEW) The bonds of a municipality issued under sections 1  
151 to 6, inclusive, of this act are hereby made securities in which all public  
152 officers and bodies of this state and all municipalities and municipal  
153 subdivisions, all insurance companies and associations and other  
154 persons carrying on an insurance business, all banks, bankers, trust  
155 companies, savings banks and savings associations, including savings  
156 and loan associations, investment companies and other persons  
157 carrying on a banking business, all administrators, guardians,

158 executors, trustees and other fiduciaries, and all other persons  
159 whatsoever who are now or may hereafter be authorized to invest in  
160 bonds or in other obligations of the state, may properly and legally  
161 invest funds, including capital, in their control or belonging to them.  
162 The bonds are also hereby made securities which may be deposited  
163 with and may be received by all public officers and bodies of the state  
164 and all municipalities for any purpose for which the deposit of bonds  
165 or other obligations of the state is now or may hereafter be authorized.  
166 Whether or not the bonds are of such form and character as to be  
167 negotiable instruments under the terms of the Uniform Commercial  
168 Code, the bonds are hereby made negotiable instruments within the  
169 meaning of and for all purposes of the Uniform Commercial Code,  
170 subject only to the provisions of the bonds for registration.

171       Sec. 7. This act shall take effect from its passage.

**FIN      Committee Vote:**   Yea   39   Nay   0   JFS

**PD       Committee Vote:**   Yea   14   Nay   0   JF